

State Board of Land Commissioners
August 9, 2005
Regular Agenda

SUBJECT

Reaffirm the 2007 spending policy of a 5% payout for all beneficiaries

OVERVIEW

DFM requested that the EFIB submit 2007 distribution estimates by September 1, 2005. In order to calculate the 2007 distribution, the EFIB revisited the existing spending policies.

During the March 8, 2005 Land Board meeting, a motion was passed to "amend its spending policy to 5%." The minutes did not clearly state when this spending policy took effect or the term of this spending policy. After reviewing the transcripts, it became clear that the 5% payout discussion was in regard to the Public Schools payout and that it was the intent of the State Board of Land Commissioners to remain at the 5% payout until the Board made a determination of any other payout figure.

Having found no revised spending policy passed or discussed in regard to the Pooled accounts, the EFIB, in its analysis of the FY 2005 status and the calculation of the FY 2007 payout, relied on the existing policy for the Pooled accounts. As you recall, the existing policy calls for a 5% payout in 2007 followed by a 4% payout in FY 2008 with the expectation of a 4% stable payout level thereafter.

The EFIB held a special meeting on August 2, 2005 to review the existing spending policies and reaffirmed the 2007 spending policy of 5% for all beneficiaries. The EFIB also reviewed the status of the permanent fund and earnings reserve fund balances based on that policy. Provided the Lands revenue forecasts are reliable, all of the accounts are able to make the 5% payout for 2007 with a reasonable margin of safety in the earnings reserve accounts.

RECOMMENDATION

Reaffirm the 2007 spending policy of 5% for all beneficiaries.

BOARD ACTION

A motion was made by Attorney General Wasden to reaffirm the 2007 spending policy of five percent for all beneficiaries, including the pooled accounts. The motion was seconded by Controller Johnson. The motion carried on a vote of 5-0.

Additionally, a motion was made by Attorney General Wasden that the President of the Land Board appoint a task force to examine the issues discussed. The task force would consist of at least one or more members of the Land Board, one or more members of the Endowment Fund Investment Board, the EFIB Manager of Investments, an executive level representative of the Department of Lands, such other individuals as the President may determine, perhaps members of the Legislature, JFAC as an example. The purpose of the task force would be to review the implementation of the endowment reform and to provide the Land Board and the Endowment Fund Investment Board with their findings and recommendations. The review would provide the Land Board a much better picture of needed statutory structural changes or procedural or accounting standards that need to be met or changed to better accomplish the purpose. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.